

Fiscal Estimate Narratives
ETF 5/9/2005

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|--|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 05-2400/1 | Introduction Number | AB-361 | Estimate Type | Original |
| Subject | | | | | |
| Retirement age under the Wisconsin Retirement System | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

AB-361 would increase the minimum retirement age from 55 to 59.5 for all non-protective category participants who terminate employment on or after the effective date of the bill. This estimate relates only to the administrative costs associated with this bill. Estimated program costs to the Wisconsin Retirement System (WRS) trust fund will be provided by the Joint Survey Committee on Retirement Systems. This estimate is based on the following assumptions:

- * There are 31,460 active participants between the ages of 55 and 60.
- * There are 45,058 active participants between the ages of 50 and 55.
- * The early retirement rate for participants in the 55 - 60 age range is .085 (based on the most recent three-year experience study).
- * Contractual resources will be utilized to implement the required information technology changes.
- * Approximately 20% of the participants between the ages of 55 - 60 would opt for a WRS retirement benefit prior to the bill effective date in anticipation of this bill becoming law (8,364 participants).
- * 30% of the participants who retire are expected to file a beneficiary designation (2,510 participants).
- * A 5% increase in service and earnings inquiries would occur as a result of the increase retirements (418 inquiries).
- * 1% of those opting to retire will elect to cancel their participation in the variable annuity option.
- * An additional 1,112 participants will apply for benefits under one of the disability retirement programs - these additional claims would be processed by Department personnel.
- * Various forms, training programs, and information technology systems would need to be modified.
- * Increased workload on an on-going basis will occur in the Department's Call Center and Member Services Bureau due to the increased number of annuitants.
- * There will be no action delaying implementation beyond the effective date of the bill (no litigation costs or increased administrative costs due to retroactive processing are assumed).
- * Costs associated with increased retirements and participant inquiries just prior to the effective date of the bill in anticipation of bill implementation are included as on-time implementation costs.
- * A 1.5 - 2.0 year implementation period is anticipated.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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|--|------------------|--|-----------------|
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| Subject | | | |
| Retirement age under the Wisconsin Retirement System | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| \$1,653,400 and 26.30 SEG FTE are required for implementation | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | \$872,500 | | |
| (FTE Position Changes) | (15.0 FTE) | | |
| State Operations - Other Costs | 50,800 | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$923,300 | | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S (SEG) | 923,300 | | |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.) | | | |
| | Increased Rev | Decreased Rev | |
| GPR Taxes | \$ | \$ | |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | \$ | \$ | |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | State | Local | |
| NET CHANGE IN COSTS | \$923,300 | \$ | |
| NET CHANGE IN REVENUE | \$ | \$ | |
| Agency/Prepared By | | | |
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| | | | Date |
| | | | 5/9/2005 |